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Opinion

Incentives may not be boon we need

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Of The Oakland Press

Former Vice President Al Gore was the driving force behind the Oscar-winning documentary “An Inconvenient Truth,” which dealt with mankind’s abuse of the environment.

It was something we didn’t want to hear, but needed to know — hence the title.

Now, State Sen. Nancy Cassis of Novi is confronting us with another set of data we might rather not hear about. She says some of the tax incentives Michigan is giving to attract businesses are not necessarily good for the state or its taxpayers.

Everyone wants to hear about jobs coming to Michigan. We were thrilled with General Motors’ decision to build its next-generation subcompact car in Orion Township. We also applauded Gov. Jennifer Granholm’s announcement about the film studio coming to northern Oakland County.

But they came with a price — the promise of tax concessions at a time when government services such as education are suffering from declining tax revenue.

“It is becoming much more of a front-burner issue — how much the public, the taxpayer, is spending on these tax credits,” Cassis said. “Unfortunately, it has taken a budget crisis” to surface the issue, she said.

A recent report by the East Lansing-based Anderson Economic Group indicated that Michigan’s eight main tax incentive programs cost the state treasury almost $900 million in 2008 in “nominal” tax revenues. But, as the study points out, that assumes the business activity would have occurred anyway without the state tax incentives — which may or may not be true.

“The nominal tax expenditure is, at best, a rough guess, and probably an overestimate of the actual ‘cost’ of the program,” the Anderson report authors said.

However, they were precise with their criticisms about the tax credits benefiting the film industry.

While noting that Michigan Economic Growth Authority tax incentives have cost the state an estimated $5,000 in foregone tax revenue per new job, per year, the report said that “the film credit, meanwhile, has been estimated to cost $50,000 per new job, per year, in terms of foregone tax revenue ... a credit of $50,000 means that the state is not just incentivizing activity — it is actually paying for the activity.”

A recent report Michigan State University compiled for the Michigan Film Office shows 32 films were produced in Michigan during the film credit's first nine months, at a cost of $48 million to the state general fund.

The Michigan Department of Treasury and the Senate and House Fiscal Agencies have estimated that the film credit could cost the general fund $100 million for the full 2009 fiscal year and $150 million in fiscal 2010.

The report also states that the credits created 2,800 jobs. However, these jobs only lasted for an average of 23 days. According to the Senate Fiscal Agency, when the number is annualized the result is 254 jobs, Cassis pointed out.

The Anderson report says "there is currently no proper, publicly available inventory of business tax incentive programs" or "any assessment of the effectiveness of the programs."

Cassis' Senate Bill 71 would increase the reporting requirements for MEGA tax credits by requiring the reports to include the actual number of jobs created and the actual value of the tax credits claimed. The bill was unanimously approved by the Senate in February and is pending in the House following approval by that chamber's New Economy and Quality of Life Committee.

Cassis told the committee there is a disconnect between the Michigan Economic Development Corporation's job announcements and the actual state of employment.

"As Michigan continues to have the nation's highest employment rate, we need transparency to ensure the state gets a better return on its investment," Cassis said.

As an example, Cassis questioned granting a fourth credit to Quicken Loans, which is moving its headquarters from Livonia to Detroit.

"How does pitting one Michigan community against another help economic development?" Cassis asked. "Was the cost of Livonia losing jobs calculated in MEDC's decision?"

A Quicken Loans spokeswoman declined to respond to Cassis' statement.

Obviously there is a place for tax incentives. Craig Main, MEDC's president and chief executive officer, said the state would not have won the high-stakes competition to build General Motors Corp.'s next-generation subcompact car without targeted tax breaks. He said the factory would have gone to Tennessee or Wisconsin and not Orion Township, north of Pontiac.

"I don't think there's any question about that," Main told the Associated Press.

Cassis doesn't dispute that. In fact, in supporting legislation that would "right-size" the film credit, she still wants "Michigan to continue offering the most generous and competitive film incentives in the nation."

All of us enjoy hearing reports about jobs coming to Michigan. It is tempting not to care if we have to give away the store to get them — we are so desperate. But there is nothing wrong with Cassis' demands that the value of tax incentives be proven factually.

She should be commended for her efforts.

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